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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

APR 13 1951

Date: _____

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

Army, DIA and State Department
review(s) completed.

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SECTION 1 (SOVIET)

"B" USSR. Soviet Propaganda Reaction to MacArthur's Dismissal. [REDACTED]

[REDACTED] Moscow Radio maintained a cautious approach to MacArthur's dismissal, and its broadcasts, in only a limited number of languages, continued to inform listeners that "the reason for MacArthur's removal has not been made public" and that "it is supposed that he has been removed for his inability to cope with the situation in Korea."

[REDACTED] Moscow's LITERARY GAZETTE, also obscuring the fact that a clash over high policies - not military conduct - led to MacArthur's ouster, commented that the General's recall is "convincing evidence of confusion in the camp of American instigators of war." [REDACTED] Satellite media hailed the affair as a defeat for Truman and a success for the world "peace" movement, predicted failure for Ridgeway, and asserted that behind the affair lies rivalry of two US factions - one of which wants to "start a war" in the Far East and the other "in Europe".

[REDACTED] The Chinese Communist press also hailed the "great victory...forced chiefly by the military strength of the Chinese Communists and North Koreans," promised that the Chinese people "will exert even greater energy in resisting the US and aiding Korea, and added that "if the enemy does not surrender we will crush him." [REDACTED]

COMMENT: Soviet comment has followed the regular party line which has been applied to the Korean situation since the outbreak of hostilities in that area, and especially since the entry of the Chinese Communist "volunteers" into the fracas.

"B" EASTERN EUROPE. Luxembourg Supplies Steel to Soviet Orbit. [REDACTED]

[REDACTED] significant quantities of steel products continue to leave that country illegally for the Soviet orbit due to long-established relations between Luxembourg producers and steady customers in satellite countries. [REDACTED]

[REDACTED] most of the illegal Luxembourg steel for the orbit is routed from Antwerp to Sweden, or at times directly to Poland. The ineffectiveness of the Luxembourg licensing system permits the steel to be rerouted in transit, since no proof is required by the licensing authorities that shipments reach their purported destination. The US Legation has learned that while the total of actual Luxembourg steel products shipments to the US in 1950 was 170,842 tons, licenses for exports to the US in this same category totalled 309,157 tons. A similar clandestine traffic in Luxembourg machine tools also exists involving an enterprise which, as former German property is under indirect governmental control. [REDACTED]

COMMENT: US efforts to prevent the illegal flow of strategic materials from Western Europe to the Soviet orbit have had some success. However, the large number of reports regarding existing clandestine trade of this type reveals that a large volume of traffic in strategic goods is still moving into the Soviet orbit.

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"B" CZECHOSLOVAKIA. Increasing Controls Over Western Diplomats. The Czechoslovak government has announced two measures which will probably result in further controls and harassment of Western diplomats. One establishes an agency under the Foreign Office, similar to the Soviet BUROBIN, which will ostensibly provide administrative facilities for foreign diplomats, including housing, supplies, food and local servants. The second measure reportedly states that in the future foreign missions can transact business only with the Foreign Office and the Ministry of Foreign Trade. [REDACTED] COMMENT: Czechoslovakia seems to be making rapid strides to attain the level of diplomatic restrictions which already prevails in the Balkan satellites.

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"B" YUGOSLAVIA. Yugoslav Minister in Vienna Fears Soviet Move This Spring. According to Austrian Foreign Minister Gruber, the Yugoslav Minister in Vienna is taking an increasingly serious view of a Soviet/Satellite move against Yugoslavia this spring. The Yugoslav Minister feels that the tone of Eastern propaganda, with its recent emphasis on Albania and the increase in border incidents, points to some action. Accordingly, he is seeking all possible information on developments in the Soviet Zone of Austria and the neighboring Satellites. [REDACTED] COMMENT: Other evidence of apparently increased Yugoslav concern regarding Soviet-sponsored aggression include: (1) Yugoslav interest in military talks with Greece leading toward military collaboration; (2) intensified efforts to obtain Western arms; (3) speeches of top level Yugoslav leaders regarding the increased possibility of aggression in an apparent effort to prepare the people psychologically; (3) issuance of the Yugoslav White Paper; and (5) recent reports (as yet unconfirmed) of Yugoslav troop movements toward the Hungarian and Bulgarian borders. However, there is no evidence of any unusual military preparations within the Cominform states. A steady military buildup of the Cominform Satellites has been proceeding for many months, which has greatly enhanced their military potential. There has been no marked change in Soviet military activity in Austria, although increased security measures have been taken.

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SECTION 2 (EASTERN)

25X1 "C" ISRAEL. Election Date Set and Election Law Passed. General elections will be held in Israel on July 30. The Knesset (Parliament) unanimously passed the final reading of the Elections Date Bill on 12 April. A new Elections Law was also passed unanimously after a 10-hour debate. [REDACTED]

[REDACTED] COMMENT: No details are as yet available as to the content of the new and much needed Elections Law, but presumably it will increase the number of voters on the basis of the considerable immigration since the last elections.

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25X1 "B" SYRIA-ISRAEL. MAC Meeting Scheduled to Consider Border Dispute. According to a press report, Israel agreed on 12 April to engage in peace talks with Syria over the disputed Lake Hule area where Israeli workmen have been pursuing a drainage project in contravention to Syrian protests. Col. Bennet de Ridder, acting UN Chief of Staff, stated that he would fix a date and place shortly for the talks which will be held under the auspices of the Mixed Armistice Commission (MAC). Reports from Damascus which state that Syria is willing "in principle" to convene the commission, however, make Syrian concurrence conditional upon the payment by Israel of damages for the bombing of Syrian villages and upon the re-entry into the demilitarized zone of some 1000 Arab refugees who fled when the border clashes began. In addition to the proposed MAC meeting, the UNSC is expected to meet next week to discuss the Syrian-Israeli clash. [REDACTED]

[REDACTED] COMMENT: Israel's agreement to participate in an MAC meeting viewing the settlement of the border dispute may presage some slackening of the prevailing tension. It may also indicate that because Security Council action on the dispute is likely, Israel may now wish to rest her case on legal and practical grounds. Since the Western nations in the SC normally hope that a settlement can be achieved on the bilateral level, Israel's de facto position is somewhat stronger than it might appear. Most observers tend to support the Syrian position that Israel has violated the Armistice agreement and are incensed over Israel's refusal to cease work when ordered to do so by the MAC. The Israeli agreement to engage in peace talks with Syria may well lift some of the onus from Israel.

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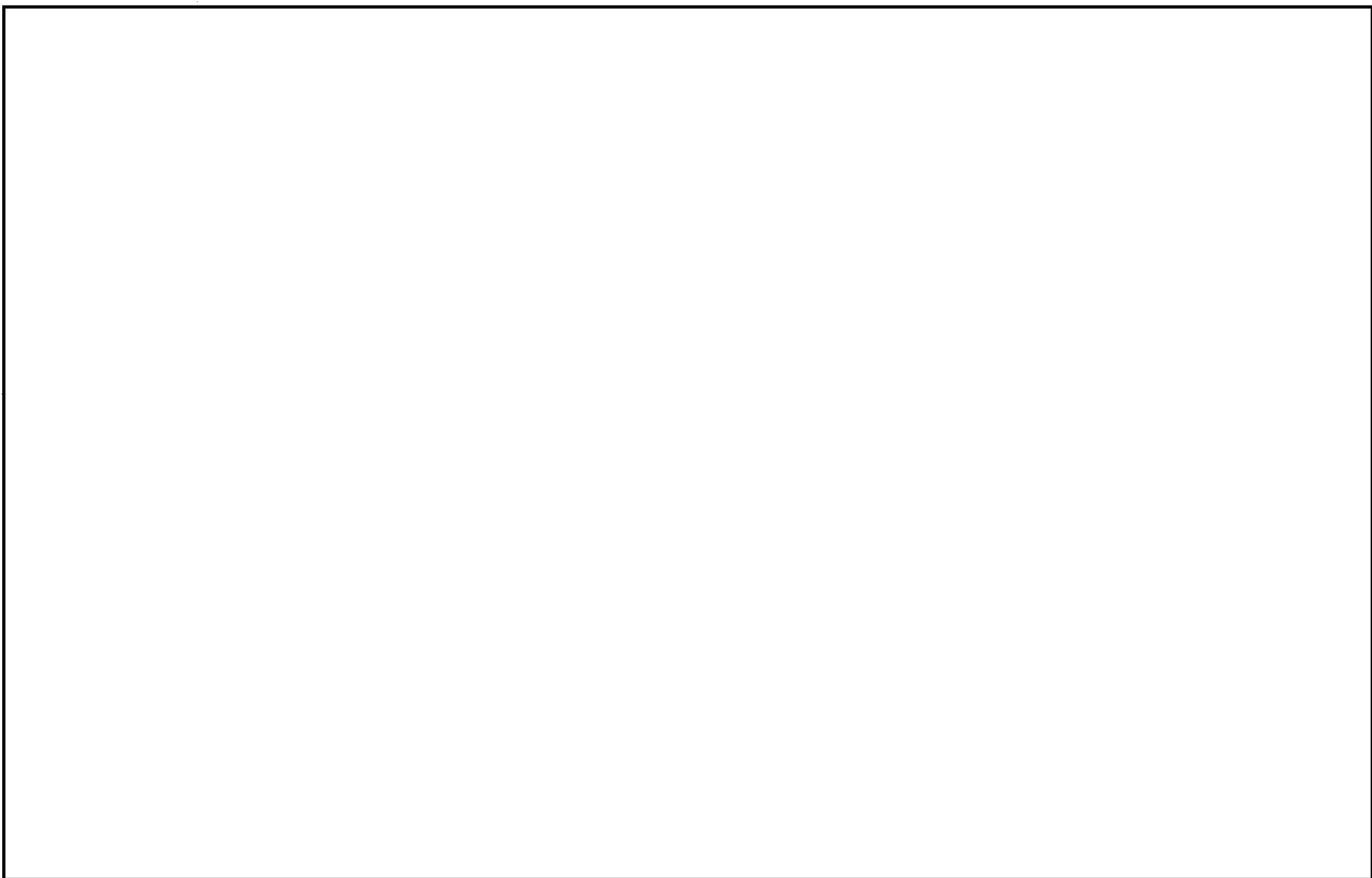
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USMILAT Reports on Chinese Incursion in Tonkin. After a brief visit to Lai-Chau in northwest Tonkin, where an incursion of Chinese troops occurred two weeks ago, USMILAT reports that the only positive information available concerning them was that (1) the troops were Chinese, (2) they were trained soldiers, not guerrillas, and (3) their strength was one battalion. Identification, he continues, is narrowed down, therefore, to two possibilities: either the intruders are a Chinese Nationalist unit driven out of Yunnan or a unit of provincial or regular Chinese Communist Forces. The attache observes that the attitude of the French command is one of watchful waiting in the hope that international repercussions can be avoided. He personally is inclined to believe that the incident was designed by the Chinese Communists to assist Ho's cause by forcing dispersal of the extremely limited French reserves. He anticipates that similar incidents may occur in the immediate future in other border areas. [REDACTED]

COMMENT: No information has as yet been received which confirms the US MILAT's belief that the incursion represents a diversionary action. However, the French have dispatched more than a battalion of regulars to Lai-Chau from the delta to oppose the invading force just at a time when another series of attacks by Ho on the delta defense perimeter have been predicted.

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Unidentified Submarine off Taiwan. The Chinese Nationalist Ministry of National Defense reports: (1) Taiwan - an unidentified submarine was twice sighted off Tai-Tung (Taito), a portion on the eastern side of the island; (2) Manchuria - 77 Soviet fighters took to the air during air raid "alerts" at Antung on 7 April; and (3) South China - two Chinese Communist engineer regiments are expanding airfield facilities at Chu-chiang (Kukong) (24-48,113-36) and Nan-hsiung (25-07-11-17).

COMMENT: (1) Reports on "unidentified" submarines have been fairly frequently received but positive identification as Soviet or friendly units has not always followed. (2) In the light of recent unprecedentedly large air battles in the Korean war theatre, the presence of at least 77 fighters in the Antung area "alerts" is considered reasonable. (3) This report follows one from MND last February that the Communists had decided to use Nan-hsiung as a main air base and Chu-chiang as an auxiliary field.

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"B" Prisoners Taken from Chinese Communist 63rd Army. Two GCF PW's taken east of Munsan on the Imjin River on 12 Apr revealed they were members of the 187th Division of the Chinese Communist 63rd Army. The prisoners stated that their unit had entered Korea a month ago and had been in the forward area for 6 days.

COMMENT:

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Although the significance of the appearance on the line of this new, and possibly Soviet-equipped, Chinese Communist army is not immediately apparent, the possibility exists that forward deployment of this unit signifies Communist intentions to hold at all cost on the present line despite the compromise of the unit's location.

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"C" President Rhee Concerned Over Belief that ECA Appropriation for the ROK Will Lapse. Ambassador Muccio reports that President Rhee, on being informed that procurement authorizations had been issued for \$25 million to finance importation of sustaining imports by the Department

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of the Army, expressed concern as to the future disposition of the \$45 million remaining of the \$70 million appropriated by the US Congress for ECA activities in Korea. [REDACTED] COMMENT: The recent cessation of ECA activities in Korea, before an adequate ROK or UN agency had taken over, will continue to complicate the already seriously deficient ROK economy.

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"C"

North Korean Reaction to General MacArthur's Relief. A North Korean propaganda broadcast of 12 April attributes the relief of General MacArthur as Commander of UN Forces in Korea to his being a "failure in the war of aggression in Korea". Radio Pyongyang further notes that "bickering" between the Americans and British "armed aggressors" over the defeat in Korea and nonconfidence in General MacArthur were other factors in his relief. [REDACTED]

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COMMENT: Radio Pyongyang's comment follow the standard Communist "line" on the MacArthur dismissal. If this broadcast may be taken as a criterion for judgement, there is no current disposition to negotiate.

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SECTION 3 (WESTERN)

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"B" ITALY. Italians Fear Soviet Military Operations from Albania. Rossi-Longhi, Italian representative to the NATO deputies' council, in a conversation with US chairman Spofford on the question of Albania, referred to Yugoslav press charges that Italy was responsible for fomenting unrest in that country. He reiterated the Italian view, repeatedly expressed in Tirana, Belgrade and Athens, that there should be no pretext offered to the USSR for further intervention in Albania. He then asked whether it might not be advisable

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for the NAT countries to make a declaration regarding Albania's national independence and territorial integrity. In conclusion, Rossi-Longhi said Italy desired that "the situation in Albania should be bad but not so bad as to give the Soviet an excuse for further intervention." [REDACTED] COMMENT: In view of its exposed position on the fringe of the NATO area, Italy is apprehensive lest the USSR use the unstable political situation in Albania as a pretext for taking over the country and establishing a military base of operations opposite the Italian coast. Italy is interested in the formation of a Mediterranean pact, including Greece and Turkey, as a protection against Soviet aggression.

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"B" ITALY. Additional Discoveries of Communist Arms Caches. The Italian police are finding more and more arms hidden in the industrial centers of northern Italy as the Communists intensify their peace campaign. The recovery of these armaments (the residue of the dissolution of the German and Italian armies) is not surprising. What is significant is that most of the arms have been oiled, have been in good working condition, and some have been wrapped in newspapers of recent date. The first post-war Italian Government was too weak to attack this problem, but since 1948 more and more effective action has been taken. [REDACTED] COMMENT: The energetic round up of Communist arms caches indicates the increasing effectiveness of the Italian internal security forces and a certain amount of demoralization in the Communist Party. At the same time, the condition of the arms found and the repetition of certain types of equipment in practically every arms cache, indicates the continuing existence of a well-organized Communist para-military organization.

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"C" ITALY. Italians Pressing to End the State of War with Germany. According to the Italian Foreign Office, it will be difficult for the Government to delay much longer taking action to terminate the state of war between Italy and Germany. A decree to this effect has already been prepared. [REDACTED] COMMENT: Pressure on the Italian Government to declare an end to the state of war between Italy and Germany, even if it anticipates US action, is undoubtedly being applied (1) by the Vatican in line with its desire to see Germany built up as a bulwark against Communist aggression, and (2) by Italian business interests which are eager to exploit fully German trade potentialities. (Prior to World War II Germany was Italy's best trading partner.)

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"B" SWEDEN. Government Makes Proposal to Control East-West Trade. According to the UK delegation to the international Coordinating Commission on East-West trade (COCOM), the Swedes have now proposed that an informal group consisting of a Foreign Office representative and the commercial counselors of the US, UK and French Embassies

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at Stockholm consider Swedish trade with Eastern Europe. The Swedes advocate this arrangement on grounds of secrecy, asserting that the Soviet Ambassador in Stockholm has recently evidenced great interest in East-West trade questions. They reportedly promise that if such a group is established they will be completely frank with regard to the entire East-West trade situation. The British delegation reports that its government supports the proposal. [REDACTED]

[REDACTED] COMMENT: Sweden has hitherto hesitated to adopt the international Control Committee's formal list of prohibited exports because it fears "non-economic retaliation". Perturbed, however, over the effect which their trade with Eastern Europe will have on Sweden's political and economic relations with Western Europe, the Swedes have recently been professing their willingness to limit the export of strategic items to the Soviet orbit provided that Sweden's "neutrality" is not compromised. There is no indication, other than that cited above, of any special current interest on the USSR's part in Sweden's East-West trade.

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OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST

13 April 1951

SECTION 2 (EASTERN)

"B" IRAN. Prime Minister Reviews Current Situation. Prime Minister Ala stated to US Ambassador Grady that members of the Majlis are disturbed about the US-UK discussions in Washington fearing that the UK may induce the US to join the former in forcing a solution. The Shah and the government are also disturbed by reports that the British are stirring up the tribes in the south against the Shah and the present government, and may even go so far as to supply them with arms. Ala stated that they have also heard rumors that the British may send troops into Abadan if they regard the oil company's properties in danger. He stated that this might serve as an excuse for the Soviets to move into Azerbaijan. In connection with this report, Ambassador Grady adds that he opposes what he believes to be the UK solution, i.e. dissolution of the Majlis, the appointment of Seyid Zia Tabatabai as Prime Minister, and government by decree for an indefinite period while the oil issue is settled. The Ambassador strongly recommends that any such scheme be opposed by the US.

COMMENT: The present outbreak of violence in the British oil fields will probably increase Iranian speculation and concern as to British courses of action. Fear of British intrigue among southern tribes has been a constant source of concern to the Iran Government,

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